AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

THURSDAY, FEBRUARY 3, 2011
STATE CAPITOL, ROOM 4202
UPON ADJOURNMENT OF SESSION

DISCUSSION ITEMS

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4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

BUDGET OVERVIEW

The Department of Developmental Services (DDS) is responsible under the Lanterman Developmental Disabilities Services Act for ensuring that more than 246,000 persons with developmental disabilities receive the services and supports they need to lead more independent and productive lives and to make choices and decisions about their lives. To be eligible for services, the disability must begin before the consumer's 18th birthday; be expected to continue indefinitely, present a significant disability; and be attributable to certain medical conditions, such as mental retardation, cerebral palsy, epilepsy or autism.

The Department sets broad policy and provides leadership for developmental services statewide; establishes priorities, standards, and procedures within which the developmental services program operates; monitors, reviews, and evaluates service delivery; and ensures remediation of problems that arise. Services are delivered directly through Developmental Centers and a state-operated community facility, and under contract with a statewide network of 21 private, nonprofit, locally-based community agencies known as regional centers. Approximately 99 percent of consumers live in the community and less than one percent lives in a State-operated Developmental Centers.

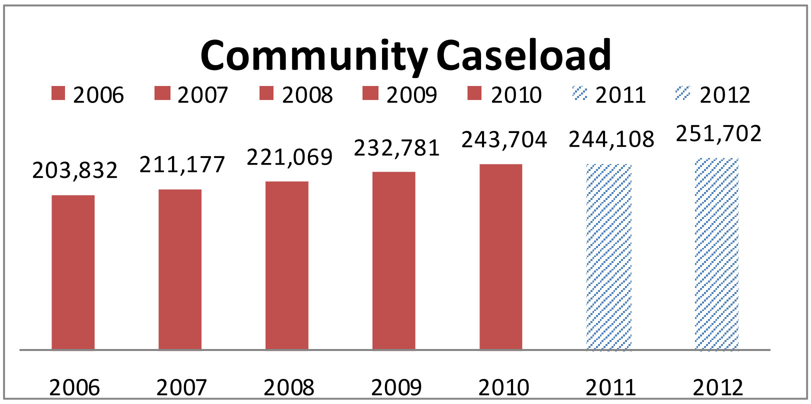
Fund Sources	2009-10	2010-11	2011-12
General Fund	$2,404,919	$2,494,282	$2,388,198
General Fund, Proposition 98	6,789	7,329	7,323
Developmental Disabilities Program Development Fund	2,370	3,579	3,576
Developmental Disabilities Services Account	-	150	150
California State Lottery Education Fund	320	372	372
Federal Trust Fund	89,536	54,793	54,782
Reimbursements	2,100,969	2,204,480	1,998,494
Mental Health Services Fund	1,062	1,133	1,133
Total Funds	**$4,605,965**	**$4,770,118**	**$4,454,028**

2011-12 Budget. Overall the Governor's Budget proposes a $4.5 billion (all funds) for support of DDS programs in 2011-12, which is 6.6 percent below the revised estimate of current expenditures. The General Fund contribution for expenditures is proposed at $2.4 billion –a decrease of $110 million, or 4.4 percent, below the revised estimate of current-year expenditures.

Funding for Regional Center services and support to persons with developmental *disabilities is proposed at* $3.8 billion ($2 billion General Fund), a decrease of $329.5 million total funds ($153.1 million GF) compared to the updated 2010-11 Budget. Funding for services and supports to persons that live in four state-operated developmental centers and one state-operated community facility total $618.1 million ($324.0 million GF), this is an increase of $10.6 million total funds over the updated 2010-11 budget, largely due to the end of furloughs.

Overall, baseline funding should have increased by $289 million total funds in 2011-12, due to increases in caseload, utilization and the expiration of the 4.25 percent payment reduction. The expiration of $134 million in ARRA funds increased the General Fund contribution necessary to backfill the Department. The Department budget also includes $70.1 million in 2011-12 in preparation of the elimination of Adult Day Health Care, reductions to SSI/SSP grants and increased Medi Cal copayments and service limits. The major change in the Department budget however, is the $750 million General Fund reduction. Of this amount $125 million will be backfilled with special funds or federal funds, and $91.5 million GF will be achieved through the extension of the 4.25 percent payment reduction. The remaining $534 million reduction is proposed to be achieved through increased "accountability and transparency measures", and "statewide purchase of service standards". Details on this proposal are still being developed, but Issue 6 of this agenda provides further details.

Caseload Trends. Community caseload continues to increase and so do costs. The Departments 2011-12 Budget projects a community caseload of 251,702 –an increase of 7,594 consumers over the revised 2010-11 caseload. According to the LAO, "between 1999-00 and 2009-10, total spending grew by 145 percent." The average per person went up by 58 percent. The increase in cost is attributed to: (1) an increase in services available due to new technology, treatments, and equipment, (2) increased life expectancy of regional center clients, (3) increased diagnosis of autism and (4) comparatively higher costs of treating autism. The regional center community caseload as of January 31, 2011 shows a steady increase since 2006. At the same time, developmental center caseloads have decreased to reflect the closures of Agnews Developmental Center and the process to close Lanterman Developmental Center.



ISSUE 1: DEVELOPMENTAL CENTERS AUTOMATIC FIRE SPRINKLER SYSTEM

Governor's Budget. The Department of Developmental Services request $2.0 million in General Funds for the Preliminary Plans and Working Drawings phases to design a project to install automatic fire sprinklers in 13 buildings which house Nursing Facility (NF) and General Acute Care (GAC) consumers in three Developmental Centers (DC's) –Fairview, Porterville and Sonoma –in order to comply with federal rule.

Background. The automatic fire sprinkler system is required as a result of Federal Rule 42, Code of Federal Regulations 483.70, which mandates the installation of automatic fire sprinkler systems in all long-term care facilities and compliance by August 13, 2013.

The project will install automatic sprinkler systems in 13 developmental center buildings housing NF or GAC consumers in Fairview, Porterville and Sonoma. The project will also address related issues associated with installation that will be necessary to meet code requirements, such as the removal of asbestos, replacement or addition of water supply lines, pipes or fire pumps if needed, making electrical and mechanical accommodations, adding structural supports and remediating other conditions.

The project affects approximately 514 NF and GAC consumers. NF and GAC consumers in the 13 identified DC buildings are some of the most fragile and vulnerable populations in DC's. All are incapable of evacuating a building on their own in a fire, as many require gurneys accompanied by life sustaining equipment, such as ventilators, respirators, oxygen, apnea monitors, suction devices, feeding tubes, or intravenous lines.

The DC's have not had major fire/life safety upgrades since between 1976-1982. The fire systems at several of the DC's are over 50 years old, unreliable, and subject to breakdowns, failures, and false alarms.

Future Costs. The estimated total completion cost of the upgrade to be federally compliant, is $13.4 million general fund. Construction costs would be reflected in the 2012-13 Budget. Additional costs per DC may include; inspection, testing and maintenance (between $15,000-$40,000 per DC) and relocating consumers costs. During construction, relocation and reopening closed units to become temporary swing space may be necessary. These costs however, would be absorbed in the DC operating budget. Overtime, cost of the fire sprinkler system would be fifty percent reimbursed through federal financial participation, which is collected through "bed rate". This reimbursement process is amortized over the lifetime of the sprinkler system.

Failure to comply. The California Department of Public Health, which reviews fire/life safety requirements for the federal Centers for Medicare and Medicaid Services, has informed DDS that it will terminate federal Medicaid and Medicare certification and Federal Financial Participation if compliance is not achieved by August 13, 2013. Without compliance, the Department is subject to lose $72.3 million per year in Federal Financial Participation of the $136 million Waiver Eligible Funds.

Staff Comment. Due to the vulnerable nature of the consumers who live in these DC's and the risk to them in the event of a fire, there are and will be no provisions for long-term plans of correction, waivers, and exemptions from the rule, or extensions to the compliance date. An estimated $72.3 million (annually) in federal financial participation are at stake.

Urgency is necessary as the project must be completed by August 13, 2013. Currently, the Department of General Services (DGS) estimates a completion by December 31, 2014, but DDS will work with DGS to amend this timeline.

PANELISTS

Please be prepared to address the following in your testimony:

- DDS
  - What is the urgency of this project?
  - What is the projected timeline to begin construction?

- Department of Finance
  - If we do not meet the deadline, what is the impact?
  - By including this in the budget, do we show good faith in attempting to comply?

- Legislative Analyst's Office

ISSUE 2: FAIRVIEW DEVELOPMENTAL CENTER FIRE ALARM SYSTEM UPGRADE

Governor's Budget. The Department of Developmental Services requests re-appropriation of $8.6 million General Fund for the construction phase of the Fairview Fire Alarm System Upgrade.

Background. The fire alarm system upgrade was approved in the 2008-09 Budget with $9.0 million General Fund for Preliminary Plans ($597,000), Working Drawings ($565,000) and Construction ($8.5 million). The system was approved to meet the current fire codes in consumer-utilized buildings in Fairview. The outdated fire alarm system at Fairview DC affects the safety and quality of life of individuals living and working in the DC. For example, routinely fire and police personnel are dispatched to living units to silence loud audible fire alarms –sometimes during sleeping hours. Between January 1st and 20th, 2007 the Fairview Office of Protective Services responded to 23 fire call that were false alarms. Complete upgrade of the system is necessary because replacement parts are no longer available for this 1970's model.

The preliminary plans for the project were delayed by three months that were never recuperated. There was also a four month delay due to the belief that the Project would be designed in-house by DGS staff, but ultimately due to budgetary issues an Architectural/Engineering firm was hired.

The new project completion date is estimated for September 30, 2012.

Staff Comment. This project continues to be a critical safety improvement and code compliance need for Fairview DC consumers, staff and visitors. The Department of Finance has also informed staff that there may be savings upon project completion. This proposal is a re-appropriation authority to continue with the construction phase of this project.

PANELISTS

Please be prepared to address the following in your testimony:

- DDS – Please briefly describe the BCP and its urgency.
- Department of Finance –What is the impact of delaying construction?
- Legislative Analyst's Office

ISSUE 3: SONOMA DEVELOPMENTAL CENTER MEDICAL GASSES AND OXYGEN PIPING

Governor's Budget. The Department of Developmental Services request the construction funds for the Sonoma Medical Gasses and Oxygen Piping project, totaling $2.65 million General Fund.

Background. This project was approved by the Legislature in the 2007-08 Budget to address health and safety needs of Sonoma DC consumers in 5 units. The estimated costs included: Preliminary Plans ($381,000), Working Drawings ($423,000) and (Construction $4.8 million). The project will install a new piping system to supply additional oxygen, medical air and suction, and a new oxygen storage tank. This will eliminate the use of portable suction machines and hazardous portable oxygen cylinders. Complete installation will bring Sonoma up to the current technology medical standards of providing oxygen and other gasses to dependent consumers.

A permanent oxygen system will eliminate the use of staff overtime, which is often necessary to monitor and replace depleted tanks after hours, weekends, and on holidays. It will also eliminate worker injuries and workers' compensation costs caused by handling heavy oxygen cylinders on a constant basis and dangerous accidents (projectile tanks and liquid oxygen which causes burns) will also be reduced.

Staff Comment. The preliminary plans and the working drawings are complete. Cost savings are also projected for this project. The preliminary plans revealed that a smaller oxygen tank is suitable for the project, which has reduced the amount of construction funds needed.

Sonoma DC is the only DC without a permanent piping and oxygen outlet. Completion of this project will provide faster and safer delivery of services to the medically fragile Sonoma consumers and create a safer working environment for staff.

PANELISTS

Please be prepared to address the following in your testimony:

- DDS – A brief description of the BCP, urgency, an estimate for staff over-time, worker injuries and compensation costs, and the impact should the project be delayed.
- Department of Finance – What is the impact to cost for delaying this project?
- Legislative Analyst's Office

ISSUE 4: PREVENTION PROGRAM BUDGET BILL LANGUAGE

Governor's Budget. The Governor's Budget includes provisional budget language to be added to item 4300-101-0001 to allow the transfer of funds from the Prevention Program to Purchase of Services.

Background. The Prevention Program was established in the 2009-10 Budget when eligibility for some infants and toddlers from birth to age 2 was eliminated from the Early Start Program, in an effort to save $68.7 million GF and meet the $334 million GF reduction. The program provides intake, assessment, case management, and referral to generic agencies.

The Prevention Program had a block grant budget of $27.2 million GF in the 2009-10 Budget, for 9 months of funding. Funding for a full year in 2010-11 was $36.3 million in and the same in the 2011-12 Budget.

Budget estimates assumed as many as 13,400 consumers in the Prevention Program in 2009-10. Participation did not materialize, as many of the babies remained in the Early Start Program. In the current year November estimate, 3,525 unduplicated Prevention Program consumers and 27,443 Early Start consumers have been served. This is a combined decrease of 5,867 babies from earlier estimates. The Department notes that the delays in meeting population are due to a decreasing California birth rate and implementation confusion. Furthermore, this population switches back and forth between the two programs.

Impact. The Budget Bill Language (BBL) would allocate $16.3 million out of the $36.3 million allocated to the Prevention Program for Purchase of Services for Early Start consumers. This will not appropriate additional Regional Center Operation funding for Early Start. This leaves the Prevention program with a budget of $20 million to serve a projected population of 10,860 unduplicated children in 2011-12.

Staff Comment. There are concerns over how the funding will actually be used for Early Start Purchase of Services. However, given that the population increases are being seen in the Early Start program, the Department needs flexibility to address this need and provide consumers the services.

PANELISTS

- DDS – Please provide a brief description the BBL, caseload estimates, and its necessity.
- Department of Finance
- Legislative Analyst's Office

ISSUE 5: TBL –MEDI-CAL MANAGEMENTS HEALTH PLANS: LANTERMAN TRANSITIONS

Background. Under existing law the Department of Developmental Services is tasked with the transition of consumers into the community as a result from the closure of Agnews and Lanternman Developmental Centers. For these consumers, service needs for coordinated medical and specialty care identified in their individual program plans (that cannot be met using the traditional Medi-Cal fee for service system), existing law establishes a structure requiring provision of those services under Medi-Cal managed care health plans to be provided by county organized health system or a local initiative. This is of course, should the consumers choose to enroll. Existing law authorizes prescribed supplemental payments, including payments for administrative services.

Trailer Bill Changes. Changes in this trailer bill require for consumers transitioning from the Lanterman Developmental Center, to receive Medi-Cal managed care health plan services from any plan operating in the various counties if the consumer chooses to enroll. Reimbursements will be made by the State Department of Health Care Services for all Medi-Cal services provided under the contract that are not reimbursed by the Medicare Program.

The language also specifies that Medi-Cal managed care health plans enrolling consumers transitioning from Agnews shall be reimbursed for reasonable cost of administrative services. Medi-Cal managed care health plans enrolling Lanterman consumers will be reimbursed by a supplemental capitation payment. Administrative Services are specifically described to include, coordination of care and case management not provided by a regional center, provider credentialing and contracting, quality oversight, assuring member access to covered services, and consultation with specified staff, except for Lanterman staff. The language also defines reasonable cost and net reasonable cost.

PANELISTS

- DDS – Please explain the trailer bill language and the need for it.
- Department of Finance
- Legislative Analyst’s Office

PUBLIC COMMENT

ISSUE 6: $750 MILLION GENERAL FUND REDUCTION

Like other Departments, the Department of Developmental Services has experiences annual reductions. To provide context as to the severity of the $750 million General Fund reduction, below is a review of the last two budget year reductions.

2009-10 Budget. In the 2009-10 Budget, the Department of Developmental Services included a $334 million (GF) reduction, forgoing $302 million in federal funds. Although the Legislature attempted to reduce the reduction to $100 million (GF), the State's fiscal status deteriorated and the complete reduction was adopted. Ultimately, the DDS was instructed to make a $334 million reduction in partnership with the stakeholder group known as the Budget Advisory Group. A total of 25 proposals to generate the desired savings were implemented to achieve the savings. Additionally, a 3 percent reduction to Purchase of Services and Operations was adopted.

The proposals below summarize the $334 million reduction in the 2009-10 Budget. A 2010 budget update revealed that the gray proposals did not generate the savings they were expected to, and others like the cap on respite continue to generate savings beyond those expected.

Proposal	Description	Anticipated Savings (GF)
1. Expanded Federal Funding	(a) Amending the 1915 (i) Medicaid plan, (b) adding services to existing waivers, (c) pursue the Department becoming an Organized Health Care Delivery System and (d) restricting regional centers from purchasing community care that does not qualify for federal Medicaid funds.	$78.8 million
2. Changes to Developmental Centers	(a) Closure of Sierra Vista, (b) Delayed capital outlay, (c) transfer of 30 Porterville residents, (d) furloughs and (e)staff reductions	$27.2 million
3. Changes to Regional Center (RC) General Standards	(a) Prohibit purchase of experimental treatments, therapeutic services or devices, (b) require RC's to use generic services when available, (c) Medical and dental services will not be purchased without denial from insurance, (d)use of least costly provider and (e) RC's will provide consumers a summary of cost and services each year	$45.9 million
4. Transportation Reform	(a) Requires RC to pursue lower cost transportation services that can meet the consumer's individual needs, including: public transportation and utilizing the family as the source of transportation.	$16.9 million
5. Uniform Holiday Schedule	(a) This proposal standardized the holidays schedule for most day programs, look-alike day programs and work activity programs and (b) extended the number of holidays from 10 to 14 days.	$16.3 million

6. New Service for Seniors at Reduced Rates	This proposal required most day programs, look-alike day programs and work activity programs to offer a senior component to their current program design. *This was an optional new service.	$1 million
7. Custom Endeavors Option	This proposal expanded (through day programs, look-alike day programs and work activity programs) options for consumers to gain employment, work experience through volunteerism, and/or start their own business. *This option is provided to consumers through their Individual Program Plan (IPP).	$12.7 million
8. In-Home Supportive Services (IHSS)	Requires RC's to use generic services such as IHSS by: (a) requiring providers to help consumers get IHSS within 5 days of moving into supported living and (b) paying providers the IHSS rate for IHSS type services, while the consumer is waiting for IHSS services.	$1.3 million
9. Supported Living Services (SLS)	(a) RC's will work with SLS providers on rates of payment no higher than the rate on July 1, 2008, (b) unless needed to implement the consumers IPP RC's are not allowed to pay a consumer's rent, and (c) as long as needs are met, the RC will attempt to have consumers who share a home use the same SLS provider.	$6.9 million
10. Utilization of Neighborhood Preschools	Supports a different service delivery model whereby families, can have their toddler's attend local preschools with the RC's also providing the necessary supports.	$8.9 million
11. Group Training for Parents on Behavioral Intervention Techniques	Required RC's to consider providing group training to parents in lieu of proving some or all of the in-home parent training component of the behavior intervention services.	$6.4 million
12. Behavioral Services	Established RC to: (a) purchase Applied Behavior Analysis (ABA) or Intensive Behavior Intervention (IBI) services if the service provider uses evidence-based practices and the service promotes positive social behaviors; (b) in order to purchase ABA or IBI parents of children must participate as described in the intervention plan; (c) ABA or IBI may not be used for purposes of providing respite, day care, or school services, or solely as emergency crisis services; (d) RC's will discontinue purchasing particular ABA or IBI when the consumer's treatment goals are achieved; (e) ABA or IBI hours will be evaluated at least every 6 months.	$19.3 million
13. Early Start – Eligibility Criteria	Elimination of eligibility for "at risk" infants and toddlers age 24 months or greater who are 'developmentally delayed' or have a risk of a developmental delay.	$15.5 million
14. Early Start Program Proposals (Prevention Program)	Established a limited services program for those no longer eligible for Early Start. Services are restricted to case management, and information and referral to other agencies. RC's are also not required to provide: child care, diapers, dentistry, access to an interpreter and translator, genetic	$19.5 million

	counseling, music therapy, and respite hours.	
15. Early Start – Use Private Insurance	Required parents of children under 3 to ask their private insurance or health providers to cover medical services.	$6.5 million
16. Expansion of In-Home Respite Agency Worker Duties	Allowed respite workers to assist consumers with colostomies/ileostomies, catheters and gastronomies.	$3.0 million
17. Parental Fee Program	Established a monthly fee that varies by family size and income.	$900,000
18. Individual Choice Budget	This proposal would implement the ICB, which would give consumers flexibility. It would save money in purchase of service expenditures.	No savings until implemented
19. Respite Program – Temporary Service Standards	The proposal limited out of home respite to a maximum of 21 days per year and in-home respite to a maximum of 90 hours per quarter (30 hours per month). It also prohibited the use of respite for Day Care services. *This proposal will be lifted upon certification of the Individual Choice Budget.	$4.8 million
20. Temporary Suspended Services	Temporarily suspended: (a) social/recreational activities, (b) camping services, (c) educational services for minor, school-aged children, and (d) non-medical therapies.	$27.4 million
21. Quality Assurance Consolidation	Combined quality assurance studies.	$2.0 million
22. Suspended Wellness and Physician Training Program	Suspended training for consumers, families, providers and physicians.	$1.3 million
23. Eliminate Triennial Quality Assurance Review	Eliminated funding for triennial reviews, but maintained quarterly consumer visits and an annual facility monitoring visit.	$1.0 million
24. Reduction in One Time Regional Center Funding	Further reduced funding for RC's.	$3.5 million
25. Additional Regional Center Operations Budget Savings	This this was an additional reduction to the 3 percent reduction in Operations funding.	$7.0 million

2010-11 Budget. The 2010-11 Budget included the extension of the 3 percent reduction, which was adopted by the Legislature 8th extraordinary session. An additional 1.25 percent reduction was approved in the Final 2010 Budget Act, for a total reduction of 4.25 percent, resulting in a $163.9 million total funds reduction ($86.2 million GF).

2011-12 Budget. The Governor's Budget includes a $750 million General Fund reduction (off of the dissipated budget which included caseload and utilization changes, the suspension of the 4.25 percent reduction and the expiration of Federal stimulus dollars). The implementation proposal is as follows:

Source to achieve reduction	Amount to relieve GF
Addition federal funds for treatment at Porterville Developmental Center. Porterville is a secure facility for consumers who have serious medical and/or behavior problems for which appropriate services are not currently available through community resources.	$10 million
Proposition 10. Funds can be used for the Early Start Program, which provides services to consumers from birth to age five.	$50 million
Expanding federal funds for Community Services. This includes the extension of the federal waiver 1915 (i) and federal funds from Money Follows the People.	$65 million
Extend sunset of 4.25 percent reduction. Extends the reduction on purchase of service reimbursements and operations until June 30, 2012.	$91.5 million
Increased accountability and Transparency. Proposal would include setting parameters on the use of state funds for administrative expenditures of regional centers and service providers, increase auditing requirements and increase disclosure requirements.	Unknown
Establish statewide Purchase of Service Standards. The Department will work with the Stakeholder Workgroup to develop standards for regional centers to use when purchasing services.	Unknown
Other system wide reductions.	Unknowns
Total	**$750 million GF**

In total $125 million of this reduction will be backfilled with special funds or federal dollars. With the exception of the extension of the 4.25 percent reduction to POS and Operations, a $534 million general fund reduction is to be achieved through increased accountability and transparency, statewide standards for purchase of services and other system wide reduction.

Accountability and Transparency Provisions. The proposal to achieve savings through increased accountability and transparency provisions includes changes made in the following areas (with more details outlined in trailer bill language):

- Expanding Audit Requirements
- Require Changes In Auditors of Regional Centers
- Disclosure Requirement of Regional Center providers
- Conflict of Interest Disclosure
- Third Party Responsibility
- Regional Center Board Approval of Certain Contracts
- Cap on Administrative Expenses for Regional Centers and Providers
- Increased Access to Records

Process to achieve POS statewide standards. The Department of Developmental Services will include stakeholders in developing recommendations to implement statewide standards for purchase of services, which will be presented to the Legislature in the Spring.

The Department will begin with a statewide anonymous online survey that will end February 15th. The survey results will be considered by the eight subject workgroups that will make recommendations to the Department. The goal is to have diverse workgroups made up of 1/3 family members, 1/3 providers and 1/3 community and state advocates. Each workgroup will have between 30-35 members. The eight subject areas are:

1. Behavioral Services
2. Day Program, Supported Employment, and Work Activity Program Services
3. Early Start Services
4. Health Care and Therapeutic Services
5. Independent Living and Supported Living Services
6. Residential Services
7. Respite and Other Family Supports
8. Transportation Services.

The workgroup process is estimated to begin at the end of February. Upon completion, the Department will conduct public forums to present the draft of the statewide purchase of services standards proposal. The Department will then present the proposal to the Legislature through trailer bill language and the Legislature will hold legislative hearings.

Trailer Bill Language. The following trailer bills were released on Monday January 31st and Tuesday February 1st. *The remaining trailer bills were unavailable for review by staff prior to the deadline for this hearing.* Please note: The trailer bills are in many ways drafts and have not been fully analyzed by staff given the short timeframe in which they were released.

Regional Center Administrative Costs. This trailer bill language restricts all regional center contracts with the department, and all regional center contracts or agreements with service providers, to require that at least 85 percent of regional center funds be spent on direct services. The bill also excludes designated administrative costs from being included in the definition of direct services. Additionally, it requires providers and contractors to provide regional centers access to books, documents, papers, data, consumer records or other records pertaining to the service providers' and contractors' negotiated rates, upon request.

Regional Center Audits. The trailer bills language amends Welfare and Institutions Code to restrict regional centers from using the same accounting firm more than five times in every 10 years. Additionally, it specifies that an entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements. The bill requires regional centers to review the results of the entities audit or review, and take appropriate action to resolve issues. Dollar amounts to qualify those entities are not yet identified in the language. Requirements do not apply to payments made using usual and customary rates, as defined by Title 17 or state and local government agencies, the University of California, or the California State University.

Regional Center Conflict of Interest. The trailer bill language requires the department to adopt emergency and other regulations to establish standard conflict-of-interest reporting requirements and to require regional center board members, directors, and identified employees. Each regional center must submit a conflict-of-interest policy to the Department by July 1, 2011 and post the policy online by August 1, 2011. By requiring that the statement be signed under penalty of perjury, this bill would impose a state-mandates local program by changing the definition of an existing crime.

Regional Center Operations and Provider Payment Reductions. This trailer bill makes the appropriate date changes to extend the 4.25 percent reduction to Regional Center Operations and Purchase of Service Payment Reductions. The bill would continue suspension of staffing ratios and expertise until June 30, 2012. Temporarily, it authorizes modification of personnel requirements, functions, or qualifications, or staff training requirements, and suspends prescribed annual review and reporting requirements for affected providers, until June 30, 2012.

Regional Centers Third Party Liability. Language has not been released by the Administration.

Regional Center Purchase of Services Standards. Language has not been released by the Administration.

Regional Center Accountability and Transparency. Language has not been released by the Administration.

Legislative Action Required. Similar to 2009-10 Budget, the Department is asked to convene in order to develop a plan to achieve the desired savings and report back to the Legislature. Necessary action by the Legislature includes approval of the reduction and corresponding trailer bill language.

Legislative Analyst Recommendation. We recommend approval of the Governor's budget proposals to (1) extend the 4.25 percent provider payment reduction and the commensurate reduction to regional center (RC) operations, and (2) obtain additional federal funds for services provided through the developmental centers and the RCs. We also recommend the Legislature either expand the existing Family Cost Participation Program or implement means testing to determine who is eligible to receive these state services. These changes, we would acknowledge, represent a significant departure from the policies originally adopted in the Lanterman Act but would help ensure the long-term sustainability of the program for those consumers with the greatest financial need for its services.

PANELISTS

Please be prepared to address the following in your testimony:

- Department of Finance
  - Explain the proposal and how the $750 million was arrived at.
  - How much is lost in federal funds?
- DDS
  - Please present the proposal and provide an overview of how you will develop and implement this reduction.
  - Describe all trailer bill language.
  - Are we at risk of lawsuits? Are we violating the Olmstead Act/ Lanterman Act?
- Legislative Analyst's Office
  - What other options should the Legislature consider?

PUBLIC COMMENT